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Trusting God to Work Things Together for Good

A malignant virus none of us had heard of a few months ago has left millions unemployed and many families deeply stressed. In such difficult circumstances, trusting in God's faithfulness can be a daily battle. In past difficult times, many readers have been encouraged by a story I first recounted in *The SMI Handbook*. We're republishing that testimony of the Lord's faithfulness below. As you read, be encouraged that our God is "invariably loving, inevitably faithful, and absolutely worthy of all your confidence." – AP.

by Austin Pryor

I have concluded that I have very little ability to discern what is valuable in life and what isn't.

I don't always see clearly which experiences are blessings and which ones do me harm. In fact, it's probably safe to say that I really don't even know—with complete certainty—what I truly want. That being the case, one of the most exciting steps I can take is to pray and ask God for things. I neither know which requests he'll grant, nor have the slightest insight into how he'll work through circumstances in granting those requests he does. But, in my experience, it's often been in the most improbable and unexpected ways. At least, that was the case when God took me through a financial wilderness—a trip that began in 1985 and was to last for seven years.

The story begins back in 1979 when a friend and I launched an investment advisory business. After more than five years of hard work, we had built our business from scratch to what could fairly be called a "successful" level. Our investment performance results had frequently placed in the top 5% among advisers nationwide. Money goes where it's treated best, and we had attracted enough clients to the point that we were both taking home six-figure incomes. Plus, I still had time for my ministry interests. All in all, things were working out pretty well. Then, I entered a period where I seemed to have the reverse Midas touch. In about a three-year span, my financial roof fell in thanks to a variety of unrelated events: a home that took three years to sell, unprecedented losses in my personal futures trading account, and a costly business venture in South Carolina, to name a few.

The summer of 1987 was the worst period of my business life. In April, with the Dow around 2300, we had sold all stock funds and placed our clients 100% into money market funds. We did this because we felt the market had risen too far, too fast. The environment had become one of high risk. As the Dow continued to make new highs over the summer months (and everybody "knew" it was going to 3000), we began losing clients to other firms who had no such reservations about risk. Our warnings to our departing clients fell on deaf ears. I'm sure many felt we were out of touch with the realities of the market.

In truth, they and their new money managers were the ones out of touch, as the October crash (continued on page 67)

IN THIS ISSUE

"FOR GOD HAS NOT GIVEN US THE SPIRIT OF FEAR BUT OF POWER, AND OF LOVE, AND OF A SOUND MIND."

EDITORIAL

When the Market Environment Gets Stormy, Rely on Your Instrument Panel

Market conditions over the past two months have been as wild as at any point in at least a decade (since the Global Financial Crisis) and arguably dating all the way back to the 1929 Crash that kicked off the Great Depression. Here's some of what we've witnessed since stocks hit all-time highs on February 19.

● Stocks made the fastest drop into bear-market territory ever, at roughly twice the speed of 1929's (former-fastest) record.

● This was followed by a dizzying stock market *rally* that wiped out half of the market's losses in roughly three weeks.

● There was huge volatility and a near seizing up of the Treasury bond market, normally one of the largest and smoothest functioning aspects of the entire financial system.

● We saw a Fed rate cut of 1%, followed by more than a dozen interventions targeting all aspects of the financial system. They included the Fed buying bonds (Treasury, investment-grade, and high-yield debt), backstopping money market funds, lending to corporations and municipal governments, and setting up "dollar swap lines" with foreign central banks to facilitate the flow of dollars overseas—to name just a few specifics. One observer summed up the Fed's $2 trillion+ interventions as "not just throwing the kitchen sink at the problem, but *everything* in the kitchen, including an old broken toaster."

● The Federal government provided more than $2 trillion in direct support to businesses and individuals.

● Most recently, on April 20, U.S. oil-price futures plunged to a previously inconceivable *negative* $37/barrel.

That's just a *partial* list, which doesn't even directly address the uncertainty still surrounding the COVID-19 virus itself. We still don't know how much of the population has been exposed, if a person can be reinfected, whether the virus will come back in the fall, or what an eventual re-opening of the economy might look like.

In light of these developments, should you make adjustments to your investing strategy? And if so, what would they be? If we could sit down for a cup of coffee and discuss it all—from an appropriate social distance, of course—I would answer your questions and perhaps allay some of your concerns. Short of that, let me try to put recent events into perspective. Here are a few things I think you should know.[1]

● **Many of the key details remain "unknowable."** As frustrating as it is, until we get more certainty regarding the virus itself, everyone is merely guessing about the future path of the economy. And with no economic clarity, we have little basis to compare the depth of the economic decline against the massive emergency measures undertaken by the government and the Federal Reserve. Not enough? Too much? No idea.

● **Stock market investors are optimistic.** By mid-April, the Nasdaq stock index was back in positive year-to-date territory, having regained its mid-January levels. For stocks to trade at roughly the level they did right *before* COVID-19 hit America's radar, the market is pricing in an optimistic recovery scenario. Not everyone is on board though. As noted investor Howard Marks said recently about stocks being down only –15% from their highs: "The world is more than 15% screwed up."

● **You should continue following your personalized long-term plan.** With a well-considered plan, you can weather times like these both financially and emotionally. The past two months have illustrated the importance of having a mix of assets and strategies[2] that balances your need for growth against your fear of loss. You might still be concerned about developments, but you shouldn't be losing sleep.

● **If you're following SMI's Dynamic Asset Allocation and/or Upgrading strategies, you've already taken significant steps to reduce risk in your portfolio.**[3] Chances are you don't need to take additional actions outside what these strategies have built-in. That's by design!

If you're going to invest over many decades, you will have to weather a number of bear markets. These periods are characterized by uncertainty and fear. This is when it's *most valuable* to be able to rely on the discipline imposed by a structured, proven approach to risk management such as SMI provides. When market storms come—and they will, repeatedly—it's crucial to trust your instrument panel, rather than flying by the emotion of the moment.

Mark

MARK BILLER
EXECUTIVE EDITOR

CONTACTING US
Correspondence can be emailed to SMI at help@soundmindinvesting.com. Our toll-free Reader Services line (877-736-3764) is available for handling clerical matters such as subscriptions, billings, newsletters not received, and changes of address. Please be advised, however, that the SMI staff is not trained in matters of personal counseling and it is our policy that they not attempt to do so over the phone. If our staff is busy when you call, you may leave your information on our secure answering system.

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[1]Much of this information has been discussed in greater detail on the SMI website as events have unfolded. Make sure you're taking advantage of these real-time updates! The 4/15 post titled "Panic, Hope, Reality" is a good place to start. [2]See the *Start Here* section of the SMI website. [3]See page 76.

Trusting God to Work Things Together for Good

(continued from front page)

violently demonstrated. The Dow Jones dropped more than -22% *in a single day*, and it did not recover to its former level for two years. The crash vindicated our caution, but it was too late to stabilize our client base. The defections dealt a major blow to our company and required my partner and me to take drastic salary cuts and make other expense-related adjustments.

So there I was, facing substantial business and personal financial pressures that I would never have dreamed of a few years earlier. And I was asking, "Lord, why is this happening to me? I travel and speak in Your name. I work for Your kingdom and give diligently to Your causes. How come You're treating me like this? Please let me know that You're still here with me."

A word from the Lord

You know what the Lord said to me? Nothing.

I've never heard from the Lord *directly* in all my life. I know some people who have, but I never have. However, the Lord does speak to me by giving me ideas and impressions as I read and meditate in his Word. A passage that was very encouraging to me during this time was Jeremiah 29:10-14. God was revealing to the Israelites why they were having the excruciating experience of being taken as slaves into the Babylonian captivity.

> **10**This is what the LORD says: "When seventy years are completed for Babylon, I will come to you and fulfill my gracious promise to bring you back to this place. **11**For I know the plans I have for you," declares the LORD, "plans to prosper you and not to harm you, plans to give you hope and a future. **12**Then you will call upon me and come and pray to me, and I will listen to you. **13**You will seek me and find me when you seek me with all your heart. **14**I will be found by you," declares the LORD, "and will bring you back from captivity."

Here are the encouraging truths I found in these verses:

- Trials eventually come to an end, and God can be absolutely counted upon to fulfill his promises (verse 10).
- God is still thinking about us, even when we're feeling lonely in our trials (verse 11). He is listening to our heartfelt prayers (verse 12).
- The only thoughts that God has toward us are thoughts of peace that include a future that is hopeful and good (verse 11).
- God allows our trials to come because they are necessary to accomplish his purpose in our lives (verse 11).
- God's purpose is that we would seek him (verse 13).
- God allows himself to be found when we search for him with all our heart. He purposes to ultimately bring about our restoration (verses 13-14).

In this passage, the Israelites have been removed from their land and torn from their possessions, yet God does not tell them to seek the restoration of their land. He does not tell them to seek their possessions. He does not tell them to seek their freedom. He tells them to seek but one thing—*Himself*. And one way that God has of causing us to seek him wholeheartedly is by allowing us to lose those other things that we highly prize.

So I knew I needed to seek God, be patient, and wait. I *wanted* to please God; I *wanted* to trust God. But the circumstances around me were so utterly discouraging. It's not always easy to expect the best and believe that everything will work out for our good. To the Israelites in exile, seventy years must have seemed like an eternity, and three years can seem like seventy when you're badly hurting.

I concentrated my reading and devotional times in books that gave me hope, and I repeatedly read Job and the Psalms. In addition to Scripture, I read *The God of All Comfort* by Hannah Whitall Smith. I read Amy Carmichael. I read *Disappointment with God* by Philip Yancey. I read *Desiring God* by John Piper. They were all tremendously encouraging, and I commend them to anyone going through difficult circumstances.

During this time, I discovered what it means to give to God out of my poverty rather than out of my surplus. In the 1970s, Susie and I had volunteered two years of our lives to a form of missionary service. But the gift of those two years in the 1970s paled in comparison to the effort of even one week of walking with God during the tough times in the 1980s and saying to him, "I still love You. I still trust You. I am not complaining. I am doing the very best I can to believe You are working everything out together for my good." The two years were given when I was on top and life was good; each week was given when I was on the bottom and circumstances were bleak. In a fashion similar to the widow and her mite, I believe a single week of "hoping against hope" can be more pleasing and glorifying to God than a two-year missionary journey.

The wonderful promises of God

Perhaps you have had occasion to survey the landscape of your life and found very little evidence that God has "plans to prosper you and not to harm you, plans to give you a hope and a future." May I encourage you to immerse your mind daily in words that will help you to know God more intimately and that will remind you that your God is always present, invariably loving, inevitably faithful, and absolutely worthy of all your confidence.

Consider the promises of God found later in Jeremiah: God is revealing in greater detail what it will be like when the trial his people are going through in Babylon has served its purpose. God declares in Jeremiah 32:

> "They will be my people, and I will be their God. I will give them singleness of heart and action, so that they will always fear me for their own good and the good of their children after them. I will make an everlasting covenant with them: I will never stop doing good to them, and I will inspire them to fear me, so that they will never turn away from me. I will rejoice in doing them good and will assuredly plant them in this land with all my heart and soul" (Jeremiah 32:38-41).

Those are tremendous promises. In sharing his father's heart, God promises he will "never stop doing good" to his chosen ones. In *The Pleasures of God*, John Piper looks at the passage this way:

> He will keep on doing good. He doesn't do good to his children sometimes and bad to them other times. He keeps on doing good and he never will stop doing good for ten thousand ages of ages. When things are going "bad" that does not mean God has stopped doing good. It means he is shifting things around to get them in place for more good, if you will go on loving him. He works all things together for good "for those who love him" (Romans 8:28). "No good thing does he withhold from those who walk uprightly" (Psalm 84:11)....
>
> But the promise is greater yet. Not only does God promise not to turn away from doing good to us, he says, "*I will rejoice in doing them good*" (Jeremiah 32:41). "The LORD will again *take delight* in prospering you" (Deuteronomy 30:9). He does not bless us begrudgingly. There is a kind of eagerness about the beneficence of God. God is not waiting for us, he is pursuing us. That, in fact, is the literal translation of Psalm 23:6, "Surely goodness and mercy shall pursue me all the days of my life." God loves to show mercy. He is not hesitant or indecisive or tentative in his desires to do good to his people....
>
> But still the promise is greater. Finally, God promises that this rejoicing over the good of his people will be with all his heart and with all his soul.... When God does good to his people it is not so much like a reluctant judge showing kindness to a criminal whom he finds despicable; it is like a bridegroom showing affection to his bride. And add to this, that with God the honeymoon never ends. He is infinite in power and wisdom and creativity and love. And so he has no trouble sustaining a honeymoon level of intensity; he can foresee all the future quirks of our personality and has decided he will keep what's good for us and change what isn't; he will always be as handsome as he ever was, and will see to it that we get more and more beautiful forever....
>
> There is a condition we must meet in order to know him as our God and be a part of the wonderful covenant in which he never turns away from doing us good but rejoices over us with all his heart and all his soul. That condition is to put our hope in him as the all-satisfying Refuge and Treasure. God takes pleasure in this response with all his heart, because it magnifies the glory of his grace and satisfies the longing of our soul.

As I began to gain an insight into this, I found myself uplifted. Trials are all the more difficult if they seem to be needless or a waste. Once you begin to see that they are purposeful, it's a great thing because then you know that (1) they will come to an end when the purpose is accomplished, (2) you will somehow, in some way, have gained something of great value, and (3) you will have glorified God by trusting him and giving him time to work.

My prayer . . .

As I sought the Lord during those days, I opened my heart to whatever he had purposed for me. I had previously assumed I would continue in the investment advisory profession for the remainder of my career; now I wasn't so sure. Perhaps the Lord was using these difficult circumstances to change the direction of my working life. As long as I was financially comfortable and had a large client base, why would I consider anything else?

So, just in case this was part of the agenda, I surrendered to the Lord all aspects of my professional life. If he wanted to rebuild my company, that would be fine. If he wanted me to take a job working for someone else, that would be fine. If he wanted me to leave the business world and go back into full-time ministry work, that would be fine. I was finally in the best place for a child of God to be: "Whatever You want, Lord, before You even reveal it, the answer is yes." I added a brief P.S. "But what I'm really hoping for is work that's mentally challenging, emotionally satisfying, and that somehow involves a ministry to people."

. . . and God's surprising answer

The answer came unexpectedly (and unrecognized by me at the time) in October of 1989. I was having lunch with my longtime friend Larry Burkett and his ministry associate Steve Humphrey.[1] As we discussed the financial challenges facing the average Christian family, Larry felt what was lacking was a certain kind of monthly investment newsletter with a truly Christian perspective. He said there was a great need for a reliable source of information, written with easy-to-understand, "user-friendly" wording, which would guide readers through the investment process step-by-step with instruction and counsel from a biblical perspective. It would help Christians make the varied and often complex investment decisions they face, as well as continually attempt to help its readers "renew their minds" with God's principles.

My initial response was, "You're right. Sounds great—too bad nobody's doing anything like that." It didn't occur to me that I should undertake the task—after all, I was an investment manager, not a writer or publisher. But as the weeks passed, the Lord kept bringing me back to Larry's comments. The number of investment services and products being offered today is mind-numbing in their variety. It's easy to feel overwhelmed. So I began to pray. Though I agreed Larry had put his finger on a real need, I wondered whether I should be the one to attempt to meet it.

I began to pray for wisdom: "Lord, do You want *me* to try to do this? Well, it would certainly be mentally challenging—I don't have much experience as a writer and none as a publisher. If I could succeed in encouraging my readers, it would be emotionally satisfying because I know from my own experience how important encouragement is in sustaining our hope during the tough times. And to the extent Christians get their finances and investments straightened out and give more to Your work, it would certainly have a ministry component. But Lord, I don't have the experience or the start-up money or the wisdom to pull this off—*I'd have to depend totally on You*." Hmmm....

After many other closed doors and much prayer, Susie and I felt the Lord was indeed orchestrating events so that we would begin moving in that direction. At a time when I was wondering if I should go into publishing, it "just happened" that two of our best friends had built a successful publishing

[1]Larry, co-founder of Crown Financial Ministries, passed away in 2003. Many of his books on money and stewardship are still in print. Steve is now a financial planner in the Atlanta area.

business centered on a lineup of monthly computer software journals. Their company was the national leader in its field. Their counsel and prayers were invaluable. The first *Sound Mind Investing* newsletter was issued in July 1990.

Almost 30 years have now come and gone since the day I bravely had 500 copies of the first issue printed. The start-up phase was physically demanding, financially unprofitable, but spiritually fulfilling. The way in which events have unfolded have reminded Susie and me that our God "is able to [carry out his purpose and] do superabundantly, far over and above all that we [dare] ask or think [infinitely beyond our highest prayers, desires, thoughts, hopes or dreams]. To Him be glory in the church and in Christ Jesus throughout all generations forever and ever" (Ephesians 3:20-21, Amplified Bible).

God is a loving Father to his children. If you're facing challenges, financial or otherwise, he can help you just as he helped me. Trust him.

"Father, could you possibly . . . "

The story is told of the young Christian student who was distraught because of an argument he had with his girlfriend. He made an appointment to see the youth minister of his church for advice. When he arrived, his wise friend began their meeting with this prayer:

> "Dear God of creation, who created the universe from nothing, scattered billions of stars at a mere word, engineered every favorable condition necessary to support life on this blue planet, populated the oceans and the lands with creatures of unimaginable variety and complexity and made man their master...
>
> "God of Moses, who turned the mighty Nile into a river of blood, sent hordes of frogs, swarms of lice and flies, a plague of disease and boils, devastating hail, locusts that covered the sky, and the death of Egypt's firstborn in order to answer the prayers of his people for freedom...
>
> "God of the disciples, who on Pentecost received Your power, spoke in other languages so 3,000 were baptized on one day, and then turned the world upside down for Christ...
>
> "Father of Jesus, who made the blind see, the lame walk, lepers whole and the dead to rise, and gave his life to rescue those who were hopelessly dead in sin and made them alive to righteousness and eternal life...
>
> "God of creation, God of history, God of the Bible, God Almighty, could You possibly be of some help with this young man's girlfriend? Amen."

When I heard this story, I couldn't help but smile. How like that young student I can be. Stopping for a moment to reflect on God's sovereign power—and his promise to use it always for my good if I'll put my trust in him—puts my daily concerns into a whole new perspective.

In truth, my problems are so small, so transitory. And God is so big, bigger than I can possibly imagine. Surely, I trust him for too little. Perhaps you do, too. If the youth minister had been praying for your concerns, how would he have closed his prayer?

- "...could You possibly show this couple how to get out of debt and save for the future as Your word commends?
- "...could You possibly lead this man to a job that would be a better fit for the way You've made him and for the financial and family needs that he has?"
- "...could You possibly help this widow to make wise investing decisions as she seeks to be a good steward of Your wealth?"
- "...could You possibly show this family how they can give even more to take the saving message of Christ to those who have never heard?"

Could he *possibly*? We know the answer is, "Of course!" He is the One about whom Jesus said "with God all things are possible" (Matthew 19:26). Our part is to trust him. We have it on the highest authority that "Everything is possible for him who believes" (Mark 9:23). There is one exception, however, one thing that God has declared is impossible for us: "And without faith it is impossible to please God, because anyone who comes to him must believe that he exists and that he rewards those who earnestly seek him" (Hebrews 11:6).

So let us seek him, trusting him to deliver us through the difficulties of life, remembering that we pray to a God who is too strong to ever lose control of any situation, too wise to ever make a mistake, and too loving to ever abandon us. Just the kind of God we need.

God knows what we need most

As I indicated at the beginning of this article, it's a tricky matter to accurately discern which experiences in life will ultimately work for our good. The reason for this is not that bad things are necessarily good things in disguise, but rather our God is so great that he can take the bad things and transform them into good things. He does this because he purposes to use everything in life that we might "be conformed to the likeness of his Son."

We're all looking for peace in an uncertain world. We don't know what the future holds, but we know who holds the future. Our trust in him is never misplaced.

Paul wrote: "For to me, to live is Christ, and to die is gain." Paul could say that because dying brought him even more of what he was living for. But today, if for us "to live is business success," then to die is loss. If for us "to live is financial riches," then to die is loss. If for us "to live is the praise of men," then to die is loss. Because dying takes all of those things away. On the day that we die, what wealth we may have will be of zero value to us, of no help or comfort whatsoever. But knowing him will mean everything. And that's why he is our peace.

If you'll aim your life in the direction of God's glory, you'll enjoy his blessings. They may or may not be material blessings. But in whatever form God sends them, you can be sure they will satisfy your deepest longings. "Praise be to the God and Father of our Lord Jesus Christ, who has blessed us in the heavenly realms with every spiritual blessing in Christ" (Ephesians 1:3). ◆

LEVEL 1 ONE

Strengthening Your Foundation

Wise money management begins with a strong financial foundation. In this column, we cover topics such as how to manage cash flow, apply strategies for getting debt-free, make wise purchasing decisions, build savings, choose appropriate insurance protection, navigate marital financial issues, and many more.

"By wisdom a house is built, and through understanding it is established." Proverbs 24:3

STUCK AT HOME? IMPROVE YOUR FISCAL HEALTH

Most of us aren't accustomed to being cooped up at home all week long, especially when spring is in the air. Then again, most of us haven't been through a pandemic before.

If you have time on your hands, we suggest turning your attention to accomplishing several tasks that will bear lasting fruit in your financial life. A few of these will put money more in your pocket, others will reduce your expenses, and still others will help you get better organized. Most can be accomplished online or by phone, so being stuck at home is no obstacle to getting them done!

For some items, we've included footnotes to SMI articles where you can find more details.

Ways to get money

- **Change your income-tax withholding.**[1] If you receive a big refund each year, fill out a new W-4 form asking your employer to withhold less from each paycheck. This will get more of your earnings to you more quickly.
- **Open a high-yield savings account.** Why let your savings languish in a low- or no-yield account at a local bank when credit unions and online banks offer higher rates?[2]
- **Set up an auto-draft for monthly savings.** This is easy to do online, and it will ensure that you are steadily adding to your savings and earning interest.
- **Get a "rewards" credit card.** Some cards offer "cash back," others reward you with air miles or retail discounts. But beware: A rewards card must be used wisely to be of real benefit to you.[3]

Ways to save money

- **Check your PMI.** If you bought your house with less than a 20% down-payment, you're probably paying for private mortgage insurance. Once you build up at least 20% equity, you can drop that insurance. Check with your mortgage company to see how much equity you have.
- **Shop for cheaper insurance.** You could save a few hundred dollars a year by reviewing your homeowner's and auto insurance and making changes.
- **Cut back on phone service.** Still have a landline? If you don't need it, get rid of it. Also review your mobile bill and compare what you're paying with plans other providers are offering.
- **Ask your Internet provider for a lower rate.** You might get it—especially if you've found a better deal from another company and you're willing to jump ship.
- **If you don't want to negotiate bills yourself, use a bill-negotiation service.** In return for a percentage of the savings, companies such as BillFixers[4] and Billshark[5] will negotiate everything from phone bills to gym memberships.
- **Check your travel rewards.** If you're accumulating frequent-flyer points from an airline or frequent-guest points from a hotel chain, find out if any of your points are due to expire soon. If so, see what minimal step you could take to protect those points.

Ways to get more organized

- **Create an online budget.**[6] Free tools such as Mint and EveryDollar (basic version) make it easy to track your cash flow. Or you can use a more robust paid service such as Tiller, YouNeedABudget, or EveryDollar Plus. An online system will help you to truly *manage* your money and make progress toward your financial goals.
- **Automate payment of bills:** Create auto drafts from your bank account for your phone bill, water, electricity, gas, etc.
- **Update your beneficiary designations.**[7] In many cases, you can review (and change) designations online, not only for bank accounts but for insurance policies and investment accounts.
- **Improve your cybersecurity.**[8] Two suggestions: Strengthen passwords (perhaps using a "password manager" such as LastPass or 1Password), and add multi-factor authentication to your most sensitive accounts.
- **Make sure your computer has an ongoing back-up.** Losing key information to a computer crash can be costly and time-consuming. Use an external back-up drive or a "cloud" service such as Dropbox or Google Drive.
- **Create a photographic inventory of your home for insurance**. Take still photos or a video and store those images "in the cloud" or in a bank safe-deposit box. The pictures will come in handy should you need to file a claim.
- **Organize health insurance paperwork.** There's no better time than now to sort through claims and benefits forms and implement a filing system.
- **Check your credit reports.**[9] Identity theft is a concern, so check your reports periodically. You're entitled to a free report each year from the three credit bureaus via annualcreditreport.com. Look for accounts you don't recognize. If you find any, take the steps outlined on the reports.
- **Freeze your credit.** A credit freeze can help prevent ID theft. Go to each of the three credit-reporting agency sites to request a freeze. (Should you later need to apply for credit, you can lift the freeze temporarily.)
- **Get your Social Security statement.** Setting up online access to your Social Security account[10] will enable you to download your annual benefit statement. Review the statement for any errors in your earnings record. (Errors will negatively affect your eventual level of benefits).
- **Make a will or update an existing one.**[11] You can write a will with help from downloadable software such as from LegalZoom[12] or Quicken WillMaker.[13] If you'd rather *(continued on page 77)*

[1]Apr2020:p54 [2]Mar2018:p38 [3]Apr2019:p54 [4]www.billfixers.com [5]www.billshark.com [6]Jan2019:p6 [7]Nov2015:p166 [8]Jun2017:p86 [9]Sep2019:p134 [10]Via www.ssa.gov/myaccount [11]Jun2017:p89 [12]www.legalzoom.com [13]www.willmaker.com

LEVEL 2 TWO

Developing Your Investing Plan

Investing decisions are best made as part of a comprehensive personalized plan. In this column, we focus on topics that will help you implement an investment strategy that takes into account your personal goals, attitude toward risk-taking, and current season of life. We explain investing essentials, discuss SMI's core investing strategies, and help you decide which strategy is best for your situation.

"The plans of the diligent lead to profit as surely as haste leads to poverty." Proverbs 21:5

WHEN IN DOUBT, TAKE THE SAFE ROUTE

Do you become anxious when circumstances compel you to make important investing decisions? You're not alone. If our reader comments are any indication, there's a high degree of financial fretting going on out there!

There's a recurring theme in the comments we're hearing right now:

1. *There's so much at stake.* I'd hate to make the wrong decision.

2. *I'm not sure I know what I'm doing.* I'd hate to make the wrong decision.

3. *Can I fully trust SMI's strategies?* I'd hate to make the wrong decision.

What is the "wrong" decision, anyway? If you're thinking it's like saying 2+2=5, you have a misunderstanding about investing. Investing decisions can't be made with mathematical certainty. Perhaps it's because financial markets deal with numbers (e.g., "a 50-point advance," "a 6% return") that we get the idea that investing is somehow like scientific research: add up all the facts and you arrive at the correct solution.

Investing isn't that straightforward. Indeed, investing is as much art as it is science. There are few fail-safe rules, and decision-making can be surprisingly *subjective*. This doesn't mean the economy and investment markets are entirely random. It only means that we're dealing with *probabilities*, not certainties and predictable events. (It's somewhat similar to a familiar example from everyday life—scientists can predict with great accuracy when the next eclipse of the sun will occur decades into the future, but they can't tell you for certain if the sun will be eclipsed by heavy clouds next Sunday and ruin your picnic!)

"The race is not to the swift"

All of this is actually good news for you. It means *anybody* can play. It's like learning to drive a car. After a couple of lessons, you're not an automotive expert, but you've learned enough to travel around town. After all, you're not trying to qualify for the Indy 500—you just want to reach your destination safely. In the same way, if you've been reading and applying the concepts in the SMI newsletter for six months or more, you're fairly well equipped to make whatever decisions you face.

Imagine you're in a contest where you are to travel from coast-to-coast before the Interstate Highway System was built. You can choose any route (but they're almost all two-lane roads), travel at any speed, and take as much time as you like. There are no bonus points for arriving first—the only goal is to arrive safely. Everyone who does that "wins."

As you drive along, you must make decisions constantly. Should you take the route to the left or the right? Is there construction or traffic up ahead? Even if Google Maps were available to you, can you trust it to be accurate? And besides, what if you prefer the most scenic route, not the most efficient?

There are no "scientific" answers to these questions. Each decision requires powers of observation, the ability to learn from your experiences, and a little common sense. You rarely come to a point where the choice is obvious. It would always be helpful to have "just a little more" information—what you know never seems to be enough. But the challenge of the trip is in having to make choices without having all the information. *No one ever has all the relevant information*. Can you survive on what you do know?

"Steady plodding brings prosperity"

Investing is much like that. When, for example, we point out that conditions may be building toward an economic downturn, as Mark did last fall,[1] that is not a prediction that it's going to happen right away. It is merely an observation about a probability. And no one can foresee "black swan" events such as the COVID-19 pandemic.

So, when Upgrading 2.0's defensive protocols began to trigger at the end of March, or when Dynamic Asset Allocation (DAA) began moving investors out of harm's way at the beginning of February, we weren't suggesting that we've unlocked the secret of the market and that those protocols would lead us to the investing promised land. Rather, these strategies picked up on objective indicators which suggested that the market may have further challenges ahead. Paying attention to such indicators gives us a greater likelihood of protecting our portfolios from more damage when the market trends downward.

When a downward trend comes with high volatility, strong counter-trend rallies may leave some readers wishing they hadn't taken so much money out of the market. On scary down days, the same readers may complain that the defensive protocols weren't defensive enough or didn't become defensive soon enough! There's no perfect answer.

We think Upgrading 2.0 and DAA will work well for most SMI members, but no doubt some will wish to chart a different course. That's fine. We provide the information, but ultimately you're responsible for making your own decisions.

As we wrote when Upgrading 2.0 was introduced,[2] the strategy's new defensive protocols purposely avoid all-or-nothing portfolio changes. Why? Because we not only can't know the future with certainty, we *recognize* that we can't. It's unknowable. It's *because* we can't know the future that we diversify and make incremental changes.

Still, safeguarding your portfolio is important. Which brings us to one of the few rules investing does have: Protecting your capital in a bear market is at least as important—and *(continued on page 77)*

[1]sminow.com/2TzKLiz [2]Jan2018:Cover

LEVEL 3 THREE

Broadening Your Portfolio

This column goes beyond the investing essentials taught in Level 2, introducing you to a wider range of investment securities and markets. By further diversifying your holdings, you can create a more efficient, less volatile portfolio. We also comment quarterly on the performance of the various markets, and on how SMI's fund recommendations and strategies have fared.

"Divide your portion to seven, or even to eight, for you do not know what misfortune may occur on the earth." Ecclesiastes 11:2

1ST QUARTER REPORT: RETURN OF THE BEAR

With current market conditions evolving so rapidly, this recap of the first quarter may already feel like ancient history. But there's value in reviewing what has transpired and the path taken to arrive where we are now.

The big event of the first quarter was clearly the pivot from bull market to bear market in late-February. But it's important to remember that stocks were establishing new *all-time highs* as late as February 19. From those highs, as we recounted in last month's Editorial, it took just 16 trading sessions for the S&P 500 to fall -20%, which is the criteria commonly used to mark an official bear market. Historically, new bear markets have averaged *eight months* to drop the same amount that this market fell in only 16 trading days.

Just seven trading days later, on March 23, the market would hit its low (so far). At its lowest point that day, the market was -35% below its high, set only about a month earlier. This was, by far, the *fastest* bear-market decline in history. There have been other *portions* of past bear markets where stocks have fallen at a comparable rate, but never right out of the gate from an all-time high.

If the severity of the market decline was jarring and disorienting, so too was what followed. Over the next 13 trading days, through April 9, the S&P 500 would recover 50% of the ground it had lost!

Bear market declines of -35%, followed by rebounds that recover half that ground aren't particularly unusual. What is unusual—and stunning—is to have those types of moves occur within a seven-week time frame. Normally, that type of action takes a year or longer to play out.

So if the market action has felt dramatic and disorienting lately, it has been! Trying to make sense of it, especially against the backdrop of the real-life COVID-19 health crisis, has been difficult, to say the least. It's at times like these that we rely more than ever on our non-emotional "instrument panel," as discussed on page 66 in this month's Editorial!

Here's a quick review of how SMI's mechanical strategies performed during the opening stanza of this bear market.

Just-the-Basics (JtB) & Stock Upgrading

As is often the case during the initial phase of a bear market, Just-the-Basics and Stock Upgrading fell roughly in line with the broad market. We expect this because it takes some time for our 2.0 defensive protocols to turn on for these strategies.

Likewise, it's not unusual for small-company stocks to fall more than large-company stocks during sharp sell-offs, and that was again the case in the first quarter. In March alone, while the large-company focused S&P 500 fell -12.5%, the small-company Russell 2000 index was down a whopping -21.7%. The larger losses incurred by small-company stocks were responsible for JtB (-23.9%) and Stock Upgrading (-21.1%) trailing the broad stock market (-20.7%) slightly during the quarter.

As we discussed last month,[1] the 2.0 defensive protocols narrowly missed turning on at the end of February. In hindsight, we can see how beneficial it would have been had those triggered then, before March's losses. But that was just seven days after the stock market had set a new all-time high, which is unrealistically fast for a defensive trend-following system to respond.

Bond Upgrading

We covered the volatility in the bond markets in detail last month.[2] But if the recent market turmoil shows us anything, it's the value of diversifying a portfolio across multiple asset classes, including bonds. While all types of bonds experienced much greater volatility than usual during the first quarter's panic selling, they still fulfilled their role, providing much-needed stability to our portfolios. Bond Upgrading gained +2.7% during the first quarter. That's a little less than the +3.2% of the broader bond market, but our Upgrading bonds also were substantially less risky due to avoiding long-term bonds.

As we'll discuss next, SMI investors owned plenty of long-term bonds within our DAA allocation, and those rose +6.9% in the first quarter. Those returns helped the broad bond-market returns, but weren't part of our Bond Upgrading portfolio, which was more focused on safety and portfolio stability.

Dynamic Asset Allocation (DAA)

When stocks were soaring and DAA was lagging in recent years, we drew the analogy of how homeowners willingly pay small insurance premiums to protect against large, infrequent disasters. The stock market hadn't experienced a significant disaster in 11 years, but we were quickly reminded just how brutal they can be—and how valuable DAA is when they do occur.

The key to DAA's success this quarter was that it shifted us out of two risky asset classes at the end of January (Foreign Stocks and Real Estate) in favor of two conservative ones (Bonds and Gold). Those moves allowed two-thirds of our DAA portfolio to *completely sidestep* the bear market's stock losses. The remaining one-third of the portfolio, which was in stocks at the beginning of the bear market, quickly shifted to cash at the end of February. So overall, DAA had just one-third *(continued on page 77)*

1ST QUARTER 2020 DAA ETF UNIVERSE

Ticker & Category		#1Q Result
SPY	U.S. Stocks	-19.4%
EFA	Foreign Stocks	-23.0%
VNQ	Real Estate	-24.2%
BLV	Long-Term Bonds	+6.9%
SHY	Cash	+2.7%
GLD	Gold	+3.6%

[1]April2020:p60 [2]April2020:p56

LEVEL 4 FOUR

Looking Toward Retirement

As you move through your 50s, 60s, and beyond, you face a new set of financial decisions related to reducing your investment risk and generating income from your portfolio. In this column, we address such topics, as well as those pertaining to Social Security, long-term health care, advanced giving strategies, estate planning, and other matters of importance to those nearing and in retirement.

"There is precious treasure and oil in the dwelling of the wise." Proverbs 21:20a

CARES ACT PROVIDES PANDEMIC-RELATED AID TO TAXPAYERS, RETIREES

Life is uncertain. Plans and expectations can be overthrown in an instant. If anyone doubted that, there are no doubters now—not in these days of the COVID-19 pandemic.

The financial fallout from the coronavirus is impossible to predict, but Congress and the White House are trying to mitigate the impact by taking actions ranging from making cash payments to most Americans to relaxing retirement-account withdrawal rules.

Here's an overview of several provisions being implemented under the recently passed Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Money from out of the blue

Many workers have lost jobs (or have seen their hours reduced) because of pandemic-related shutdowns, so the Treasury Department is sending out direct cash payments—called Economic Impact Payments—to help replace lost wages. The amounts are $1,200 for singles and $2,400 for married couples.

To get the full payment, you must have an adjusted gross income below $75,000 (single) or $150,000 (couple).[1] For people with incomes above those thresholds, the payments phase out by $5 for every $100 of additional income, fully expiring at $99,000 for individuals and $198,000 for couples. Families with dependent children get a $500 per-child payment (also subject to income-related phase-out) for each child under age 17.

If you're doing fine making ends meet and don't "need" the money (be thankful!), you may want to use the payment to shore up your emergency savings or pay down debt. Another option: Give the money to someone who *does* need it.

The Treasury Department began issuing Economic Impact Payments via direct deposit in mid-April, using routing/account numbers from recent tax returns and from the Social Security database. (Treasury officials said most such payments had been sent by late April.[2]) For payments by check—in cases where the Treasury doesn't have direct-deposit information—a check will be sent to the mailing address used on the taxpayer's most recent federal return.

Minimum distributions suspended

In the wake of the 2008-2009 stock market crash, Congress suspended required minimum distributions (RMDs) from IRA/401(k) accounts so that retirees wouldn't be forced to withdraw money from beaten-down investments. That policy was popular, so Congress has resurrected it in response to the coronavirus crash.

For 2020, required minimum distributions will *not* be required.[3] Any account holder who's already taken an RMD this year can roll the money into an IRA (thus shielding the distribution from income tax) if the rollover is completed within 60 days of the withdrawal. If 60 days have gone by, such a rollover is allowed only if the account holder has been directly affected by COVID-19.

The 2020 RMD suspension doesn't affect the ability to make a qualified charitable contribution (QCD). A QCD is a tax-advantaged donation made directly from an IRA to a charity.[4] QCDs commonly are used to offset required minimum distributions, thus lessening (or eliminating) the tax impact of an RMD. One can still make a qualified charitable donation in 2020, but there won't be any RMD to offset (and a 2020 QCD can't be used to offset a future RMD).

"Coronavirus-related distributions"

While the no-RMDs provision of the CARES Act helps retirees *avoid* taking money from their retirement accounts, other provisions of the Act make getting money out of a retirement account easier.

The new law offers special tax breaks for any "qualified individuals" who take a "coronavirus-related distribution." To be eligible, the account holder (or a spouse or dependent) must have been diagnosed with COVID-19, or the account holder must have experienced adverse financial consequences as a result of the pandemic (such as a layoff, furlough, or reduced hours). Being forced to shut down (or cut back) a business also qualifies. So does being unable to work because of a lack of childcare.

Those who qualify can take a distribution of up to $100,000 from an IRA or a company plan (or a combination of accounts) and spread the tax impact over three years. Further, the CARES Act waives the 10% penalty for withdrawals by account holders younger than age 59½. (Withdrawal amounts, however, will be subject to regular taxation.) And any 2020 distributions that, under normal circumstances, would be subject to 20% federal withholding will be exempt from withholding.

The new law also allows account holders to *repay* money distributed under the coronavirus provisions—and get any distribution-related tax liability refunded—as long as the money is paid back by 2022. Repayments won't be counted against the normal annual contribution limits set by the IRS.

It is also worth noting that the law doesn't place restrictions on the intended use of any money withdrawn. An account holder who meets the qualifying requirements can use the money for any reason—even if not directly related to the pandemic—as long as the distribution is made between Jan. 1, 2020 and Dec. 31, 2020.

Retirement plan loans

Previously, loans from retirement plans (if allowed) were limited to $50,000. The CARES Act doubles that to $100,000 for this year. The new law also sets aside a rule that prohib-

(continued on page 78)

[1]Based on either 2018 or 2019 AGI numbers, depending on if a taxpayer has filed for 2019. [2]To track payment status, go to irs.gov/coronavirus. [3]The suspension applies to Traditional IRAs, SEP IRAs, and SIMPLE IRAs, as well as to 401(k), 403(b), and governmental 457(b) accounts. Beneficiary accounts are included. [4]July2019:p105

Basic Strategies

The fund recommendations shown for Upgrading account holders are based primarily on "momentum" scores calculated just before this issue was published (not the earlier end-of-month scores shown on this page). Consistency of performance is also considered, along with the portfolio manager's philosophy and number of years at the helm. Three recommendations are made in each risk category. Select the one(s) most in accord with your preferences and broker availability.

"Plans fail for lack of counsel, but with many advisers they succeed." Proverbs 15:22

RECOMMENDED FUNDS FOR SMI'S JUST-THE-BASICS STRATEGY

Data through 3/31/2020	Portfolio Invested in	MOM	Performance YTD	1Mo	3Mo	6Mo	12Mo	3Yr Avg	Rel Risk	Expense Ratio	Stock/Bond Mix 100/0	80/20	60/40	40/60	Ticker Symbol
Total International Stock	Foreign stocks	-58.4	-24.3%	-16.1%	-24.3%	-17.5%	-16.6%	-2.6%	1.02	0.11%/0.09%	20%	16%	12%	8%	VTIAX/VXUS
Extended Market Index	Small company stocks	-70.1	-28.0%	-21.3%	-28.0%	-21.6%	-20.5%	-1.9%	1.32	0.07%/0.07%	40%	32%	24%	16%	VEXAX/VXF
S&P 500 Index	Large company stocks	-39.0	-19.6%	-12.4%	-19.6%	-12.3%	-7.0%	5.1%	1.00	0.04%/0.03%	40%	32%	24%	16%	VFIAX/VOO
Total Bond Market Index	Medium-term bonds	15.6	3.3%	-0.6%	3.3%	3.3%	9.1%	4.8%	1.00	0.05%/0.035%	None	20%	40%	60%	VBTLX/BND

JUST-THE-BASICS: JtB is an *indexing* strategy that requires just minutes a year to assure your returns are in line with those of the overall market. You won't "beat the market," but neither will you fall far behind. Depending on your particular stock/bond mix, your JtB portfolio should be allocated across either three or four traditional mutual funds/ETFs (see ticker symbols in rightmost column—performance data above is for traditional funds). For more on JtB, see Jan2019:p7-8.

RECOMMENDED FUNDS FOR SMI'S FUND UPGRADING STRATEGY

Risk	Data through 3/31/2020[1]	Date Added	E-Trade Avail[2]	Fidelity Avail[2]	Schwab Avail[2]	MOM[3]	Performance YTD	1Mo	3Mo	6Mo	12Mo	3Yr Avg	Rel Risk[4]	Exp Ratio	Number Holdings	Redemp Fee?[5]	Ticker Symbol
Category 5 Foreign	1. Cash	04/20	See Apr2020:p60														
	2. ☎ Cash	05/20	See May2020:p76														
	3. WisdomTree Intl Hedged ETF	12/19	ETF	ETF	ETF	-29.8	-16.5%	-9.2%	-16.5%	-9.3%	-4.0%	3.2%	0.82	0.58	230	None	IHDG
Category 4 Small/Growth	1. Cash	04/20	See Apr2020:p60														
	2. Needham Sm Cap Growth	01/20	NTF	NTF	NTF	-3.6	-15.0%	-10.9%	-15.0%	-1.4%	12.8%	11.1%	1.21	1.93	48	None	NESGX
	3. DF Dent Midcap Growth Inv	09/19	NTF	Yes	NTF	-24.6	-14.8%	-13.0%	-14.8%	-10.0%	0.2%	13.6%	1.07	0.98	33	2%60days	DFDMX
Category 3 Small/Value	1. Cash	04/20	See Apr2020:p60														
	2. ☎ Cash	05/20	See May2020:p76														
	2. Touchstone Mid Cap Z	05/19	NTF	NTF	NTF	-49.4	-22.4%	-16.1%	-22.4%	-18.6%	-8.5%	5.6%	1.09	1.21	32	None	TMCTX
Category 2 Large/Growth	1. Cash	04/20	See Apr2020:p60														
	2. Invesco QQQ Trust	02/20	ETF	ETF	ETF	-2.1	-10.3%	-7.3%	-10.3%	1.3%	6.9%	13.9%	1.07	0.20	104	None	QQQ
	3. Polen Growth Investor	10/18	NTF	NTF	NTF	-15.8	-13.2%	-10.2%	-13.2%	-4.4%	1.8%	13.9%	0.96	1.25	25	2%60days	POLRX
Category 1 Large/Value	1. Cash	04/20	See Apr2020:p60														
	2. ☎ Cash	05/20	See May2020:p76														
	3. Invesco S&P 500 Top 50 ETF	02/20	ETF	ETF	ETF	-24.7	-15.8%	-9.4%	-15.8%	-7.1%	-1.9%	7.4%	0.95	0.20	55	None	XLG
Bond Categories	☎ Carillon Reams Core Plus[6]	5/20	NTF	NTF	NTF	15.0	3.4%	0.4%	3.4%	3.2%	8.4%	4.6%	1.03	0.08	5.8[8]	None	SCPYX[7]
	Permanent: Vanguard I-T Bond	Perm	ETF	ETF	ETF	15.1	2.9%	-1.6%	2.9%	2.9%	9.4%	5.1%	1.20	0.07	6.3[8]	None	BIV[9]
	Permanent: Vanguard S-T Bond	Perm	ETF	ETF	ETF	10.8	2.3%	0.5%	2.3%	2.9%	5.6%	3.1%	0.46	0.07	2.7[8]	None	BSV[10]

A telephone symbol (☎) indicates a new recommendation. **Upgrading Footnotes:** **[1]** The stock-based funds listed in each risk category have been selected (and if applicable, ranked with either a "2" or a "3") based primarily on their momentum scores in late April, rather than on the end-of-March data shown above. The fund ranked third is the one that currently appears most likely to be replaced next. **[2]** Fund Availability: NTF (no transaction fee) means the fund can be bought and sold without a transaction fee as long as you stay within the trading limitations imposed by E-Trade (800-387-2331), Fidelity (800-343-3548), and Schwab (800-435-4000). Policies change frequently, so be sure to verify their accuracy. ETFs (exchange-traded funds) are available at all brokers and typically trade free if bought/sold online. **[3]** Momentum is a measure of a fund's performance over the past year and is our primary performance evaluation tool. For more, see Jan2019:Cover. **[4]** A 1.0 relative-risk score indicates the fund has had the same volatility as the market in general over the past three years. A fund with a score of 1.4 would mean the fund was 1.4 times (40%) more volatile than the market. See June2015:p88. **[5]** Depending on how long you hold this fund, a redemption fee may be applicable when selling (for example, a fee of 1% if you sell within 60 days of purchase). Fees change often and vary from broker to broker, so be sure to check with your broker for the most current information. **[6] Rotating Fund:** This bond recommendation changes periodically based on SMI's Upgrading methodology. The Intermediate-Term (I-T) and Short-Term (S-T) index recommendations shown below that rotating fund are fixed and don't change from month to month. See January2015:p7 for more information. **[7]** Or the institutional share class SCPZX. **[8] Duration:** For bond funds, this column shows the average duration (in years) of the bonds in the portfolio. Typically, the longer the duration, the greater the risk/reward. To learn more, see Nov2018:p167. **[9]** Those preferring a traditional mutual-fund option can buy VBILX. **[10]** Those preferring a traditional mutual-fund option can buy VBIRX.

☎ Changes in our fund recommendations are explained in the MoneyTalk column on page 76.

SOUND MIND PORTFOLIOS

Upgrading: Easy as 1-2-3

Fund Upgrading has long been SMI's most popular Basic Strategy. Whether used in isolation or in combination with SMI's Premium Strategies, Upgrading forms a solid foundation for an investing plan. Upgrading has proven itself over time with market-beating returns over the long haul, and it is easy to implement. This page explains exactly how to set up your own Upgrading portfolio.

"The plans of the diligent lead to profit as surely as haste leads to poverty." Proverbs 21:5

WHY UPGRADE?

SMI offers two primary investing strategies for "basic" members. They are different in philosophy, the amount of attention they require, and the rate of return expected from each. Our preferred investing strategy is called Fund Upgrading, and is based on the idea that if you are willing to regularly monitor your mutual-fund holdings and replace laggards periodically, you can improve your returns. While Upgrading is relatively low-maintenance, it does require you to check your fund holdings each month and replace funds occasionally. If you don't wish to do this yourself, a professionally-managed version of Upgrading is available (visit bit.ly/smifx).

SMI also offers an investing strategy based on index funds called Just-the-Basics (JtB). JtB requires attention only once per year. The returns expected from JtB are lower over time than what we expect (and have received) from Upgrading. JtB makes the most sense for those in 401(k) plans that lack a sufficient number of quality fund options to make successful Upgrading within the plan possible. See the top section of the Basic Strategies page at left for the funds and percentage allocations we recommend for our Just-the-Basics indexing strategy.

WHERE TO OPEN YOUR ACCOUNT

Opening an account with a discount broker that offers a large selection of no-load funds greatly simplifies the Upgrading process. This allows you to quickly and easily buy/sell no-load mutual fund shares without having to open separate accounts at all the various fund organizations. There are several good brokerage choices available. We recommend reading our latest Broker Review (March 2018:Cover article, also available online at bit.ly/smibroker) for details regarding the pros and cons of each broker, as your specific investing needs will largely dictate which broker is best suited to your situation.

401(K) INVESTORS

For a detailed explanation of how to Upgrade within your 401(k) plan, see bit.ly/smi401ktracker. That article also contains ideas on Upgrading in any type of account where your available fund choices are limited.

HOW TO BEGIN STOCK UPGRADING

❶ First determine your stock/bond target allocation by working through the investment temperament quiz online in the "Start Here" section (see the link near the top of the home page on the main navigation bar). For example, Table 1 below provides guidelines for those with an "Explorer" temperament. For more on asset allocations, see Jan2020:p7.

❶ PICK YOUR ALLOCATION

Seasons of Life	Stocks	Bonds
15+ years until retirement	100%	0%
10-15 years until retirement	80%	20%
5-10 years until retirement	70%	30%
5 years or less until retirement	60%	40%
Early retirement years	50%	50%
Later retirement years	30%	70%

Note: These are SMI's recommendations for those with an "Explorer" temperament. See Step ❶ in the text for information on our investment temperament quiz. You may want to fine-tune the above percentages to suit your personal approach to risk-taking.

❷ FIND YOUR PORTFOLIO MIX

Portion of Portfolio Allocated to Stocks:	100%	80%	60%	40%
Portion of Portfolio Allocated to Bonds:	**None**	**20%**	**40%**	**60%**
Stock Cat. 5: Foreign Stocks	20%	16%	12%	8%
Stock Cat. 4: Small Companies/Growth	20%	16%	12%	8%
Stock Cat. 3: Small Companies/Value Strategy	20%	16%	12%	8%
Stock Cat. 2: Large Companies/Growth	20%	16%	12%	8%
Stock Cat. 1: Large Companies/Value Strategy	20%	16%	12%	8%
Bond Cat. 3: "Rotating" Bond Fund	None	10%	20%	30%
Bond Cat. 2: Intermediate-Term Bond Fund	None	5%	10%	15%
Bond Cat. 1: Short-Term Bond Fund	None	5%	10%	15%

❸ BUY YOUR FUNDS

Example uses an 80/20 mix between stocks and bonds		Dollars	Invest in Funds
Stock Cat. 5: Foreign	16%	$8,000	Cash* or Wisdom Tree Intl
Stock Cat. 4: Small/Growth	16%	$8,000	Cash* or Needham Sm Cap
Stock Cat. 3: Small/Value	16%	$8,000	Cash* or Touchstone MidCap
Stock Cat. 2: Large/Growth	16%	$8,000	Cash* or Invesco QQQ
Stock Cat. 1: Large/Value	16%	$8,000	Cash* or Invesco 500 Top 50
"Rotating" Bond Fund	10%	$5,000	Carillon Reams Core Plus
Intermediate-Term Bond Fund	5%	$2,500	Vanguard I.T. Bond Index
Short-Term Bond Fund	5%	$2,500	Vanguard S.T. Bond Index
Total	100%	$50,000	

*See Apr2020:p60 for instructions on implementing Upgrading 2.0 cash decisions.

❷ Find the column that matches your stock/bond allocation in Table 2. (If your target falls between two listed columns, split the difference.) Multiply each percentage by the value of your total portfolio amount to calculate the dollar amount to invest in each risk category.

❸ Buying your funds is easy. Look at the recommended funds on the opposite page. In each category, start with the #1 listed recommendation. If it's available at your brokerage (indicated by Yes, NTF, or ETF), buy it. If it's not, continue down the list to the next available fund. Then contact your broker—online or via phone—to buy the fund you've picked.

Let's see how a new subscriber 12 years from retirement with $50,000 to invest and an account at Fidelity would proceed. First, the investor selects the stock/bond mix for his or her situation (let's assume 80/20). Then, from Table 2, finds the percentages for each risk category. Multiplying $50,000 by each percentage yields the dollar amount for each category as shown in Table 3.[1] Cash currently is recommended in multiple categories. (See Apr2020:p60 for a discussion of holding cash in an Upgrading 2.0 portfolio.) After making decisions for each category, the orders are placed and the stock portion of the Upgrading portfolio is complete!

From then on, it's just a matter of checking the Basic Strategies page each month. When an owned fund is *removed* from this page (not when it merely shifts out of the #1 ranking), you should immediately sell that fund and invest the proceeds in the highest-ranked position in the same risk category that is available at your broker.

BOND UPGRADING

Your bond allocation is divided among three funds as seen in Table 2. One-half of that is invested in the rotating Upgrading selection, which is reviewed monthly and changes from time to time. The other half is divided evenly between short-term and intermediate-term index bond funds, which are permanent holdings. For more on why SMI approaches bond investing in this way, see "Introducing an Upgrading Approach to Bond Investing that Outperforms the Bond Market" (bit.ly/smibondupgrading). ◆

[1] Rounding off to the nearest hundred is fine. As time goes by, your portfolio will gradually move away from these starting percentages as some funds perform better than others. This will be fixed once a year when you "rebalance" back to your desired portfolio mix (see Jan2020:p7).

MONEYTALK

STOCK UPGRADING 2.0 — INSTRUCTIONS FOR MAY

[Stock Upgrading is a mechanical strategy that typically involves owning recommended funds until they fall out of the top quartile of their peer group, at which point they are replaced by new top-performing funds. However, special defensive protocols are triggered occasionally, which cause the Upgrading portfolio to gradually "de-risk' by temporarily shifting some holdings to cash. See the January 2018 cover article for more details regarding Upgrading 2.0.]

After selling five funds and moving those proceeds to cash a month ago, Upgrading is presenting us with a gut-check this month. The 2.0 defensive protocols call for us to shift three more funds to cash this month. But unlike last month's instructions, which followed a month of sharp *losses*, this month's come after a month of strong rebound *gains*.

In theory, it should be easier to sell these funds at 12-15% higher prices than a month ago. But emotionally that's not the case, given the sharp rebound since the March lows, spurred as it has been by the incredible liquidity injections of the Federal Reserve and government, makes it an open question whether this rebound is just a run-of-the-mill bear-market rally or something more.

The truth is that's impossible to know at this point. The four most dangerous words in investing are "It's different this time." But it's difficult to dispute that it *actually is* different this time! No current investor has dealt with a global pandemic that brought the world economy to a standstill. And no investor *ever* has had to try to project the impact of such massive emergency government financial support on a frozen global economy. As we discuss in this month's Editorial on page 66, the ultimate outcome of all this is still *unknowable* at this point.

So it's certainly possible that a month or two from now we'll have to reverse the moves being made today, should further evidence from rising markets warrant it. That's okay. Perhaps the re-opening of society goes more smoothly than expected and the global economy restarts quickly. In that event, we'll miss a month or two of gains in a portion of our Upgrading portfolio, and buy back into the top-rated funds soon. That happened at the beginning of 2019 and Upgrading still posted strong gains for the year.

But at this point, the balance of evidence still leans toward the recent rebound being a *bear-market rally* rather than a new bull market, which means protecting our capital is still the top priority. It's telling that after rebounding +25% in the 17 days following the March 23 low, the market has spent the 17 days *since then* range-bound, trading up and down within +/- 3% of that April 9 level. It's not unusual for a bear market rally to retrace 50% or more of a prior decline, as this rally has done.

Investing is about dealing with *probabilities*, not *certainties*. Following the 2.0 signals to de-risk a bit further this month acknowledges the probability (but not certainty) that this is a bear-market rally that will fail.

It is worth noting that 2.0 is distinguishing between the stronger and weaker categories and funds at this point. We're selling a fund in *three* of the stock risk categories this month, but sitting tight in both growth categories where returns have been strongest. Last month's across-the-board selling has shifted now to a closer fund-by-fund analysis.

This month's changes

The following funds are recommended to be sold with the proceeds held in cash. (We suggest buying SHY or a quality money-market fund with these cash proceeds in hopes of earning a little interest.)

◆ **In the Foreign group, Fidelity International Growth (FIGFX, 12/2019) is being replaced.**

◆ **In the Small/Value group, Weitz Hickory (WEHIX, 6/2019) is being replaced.**

◆ **In the Large/Value group, Vulcan Value Partners (VVPLX, 12/2019) is being replaced.**

Most SMI members should be able to simply follow these specific selling instructions. But after hearing last month from many SMI members implementing Upgrading in a number of different ways, the "big picture" Upgrading 2.0 stance at this point is simply this: roughly half of the Stock Upgrading portfolio should now be in cash, and the two growth categories should be favored if your portfolio specifics require you to be overweight in any category. ◆

BOND UPGRADING — NEW FUND RECOMMENDATION

[SMI Bond Upgrading involves investing half of the bond portfolio in two "core" funds which do not change. These two funds provide stability to the portfolio. The other half of the bond portfolio is invested in a single Upgrading recommendation. This is the selection being updated this month. For more detail regarding Bond Upgrading, see Jan2015:p7.]

◆ **Vanguard Intermediate-Term Bond Index (BIV/VBILX, 2/2019) is being replaced.** We're selling our 50% Upgrading portion of this holding, but it remains a 25% permanent position in the portfolio. It has done a great job for us, gaining +5.2% year-to-date and over +14% since we bought it in February 2019. It's a great "all-weather" fund, which is why it's a permanent holding within our Bond Upgrading portfolio.

● **Carillon Reams Core Plus Bond (SCPYX/SCPZX) is being added.**[1] The highest praise we can offer the Reams bond team is that SMI Advisory Services chose them to manage the bond portion of the SMI Balanced fund several years ago. Reams is an opportunistic value manager whose best periods of past performance have come after significant disruptions in the credit markets—such as we saw in March. While that approach can create short-term volatility, as Reams buys falling debt that can drop lower before recovering, it has paid off dramatically in the past. We've seen that dynamic at work again since the credit markets stabilized in late-March. Through 4/24, this Core Plus fund was up +4.3% so far in April, compared to just +0.7% for Vanguard Intermediate. Hopefully, the recent bargain purchases made by the Core Plus fund will contribute to above-average gains going forward. ◆

[1] For more on this fund, visit www.morningstar.com.

LEVEL 1 / CONTINUED FROM PAGE 70

STUCK AT HOME? IMPROVE YOUR FISCAL HEALTH

use a local attorney, get the ball rolling with a phone call or email to a local law firm.

• **Write a "letter of instruction" for your family and heirs.**[1] Such a letter fills in practical details not included in a will, such as recommendations regarding your funeral plus information about where to find essential documents.

Many of the tasks suggested above are probably things you've intended to "get around to someday." Well, someday is here! Investing some of your stay-at-home time in these tasks can help reshape this time of social distancing and quarantine into a season of fruitful stewardship. ◆

LEVEL 2 / CONTINUED FROM PAGE 71

WHEN IN DOUBT, TAKE THE SAFE ROUTE

arguably *more* important—than capturing all of the gains in a bull market. It's simple math. If you lose 50% in a downturn, it'll take more than a 50% gain to get back to even; it'll take a 100% gain. So minimizing losses in a bear market is critical.

That's why heeding objective—yet admittedly imperfect—signals that tell you when to take your foot off the gas is crucial to "arriving safely." As Formula One racing champion Niki Lauda once said, "The secret is to win going as slowly as possible." ◆

LEVEL 3 / CONTINUED FROM PAGE 72

1ST QUARTER REPORT: RETURN OF THE BEAR

of its portfolio exposed to stocks *for just the first nine days of the bear market*. Beyond that, DAA watched from the relative safety of the sidelines.

Things still got a little tense during the early "liquidation phase" of the bear market, even for DAA. Both bonds and gold sold off on some of the worst days, although both classes recovered quickly. As the table of asset class returns shows (see page 72), there was an enormous gulf between the returns of the three riskier asset classes and the conservative ones during the first quarter, with most of that gap opening up as the worst of the -35% market drop got underway. DAA's overall loss of only -2.6% during the first quarter of 2020 stands in stark contrast to the market's -20.7% loss. It's hard to overstate how important DAA was to SMI members this quarter, both in terms of their portfolio performance as well as their peace of mind.

That DAA performed as well as it did during the quarter's panic selloff certainly was welcome, but it wasn't really a surprise. As the chart below shows, DAA has consistently held up during the worst market crises in recent decades. The chart focuses on the worst portions of each crisis, showing how valuable DAA would have been during these periods of acute market panic.

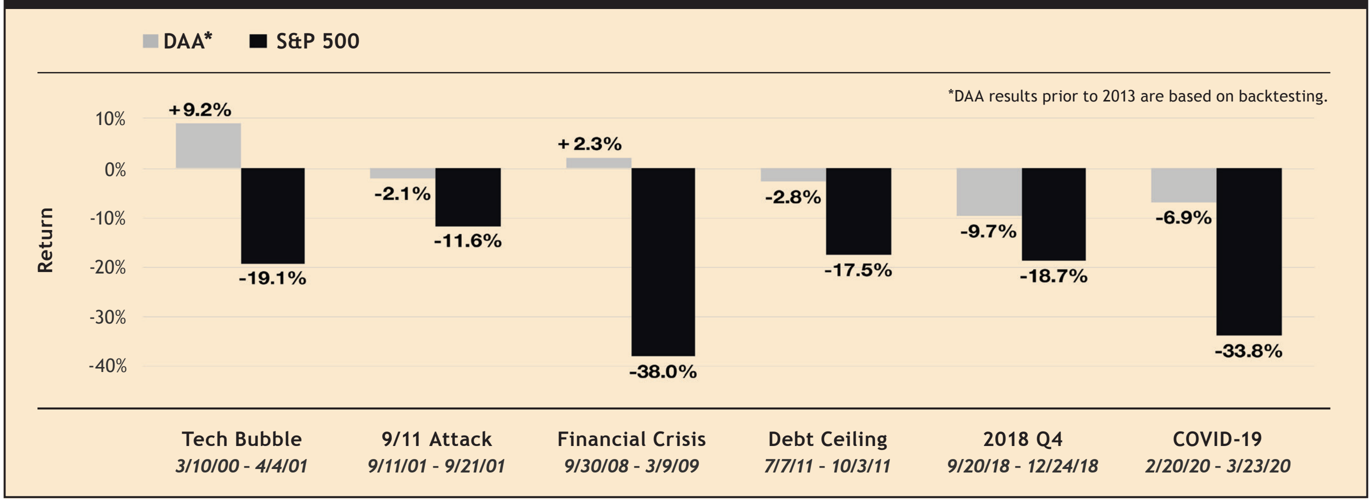
Sector Rotation (SR)

If DAA was the oasis from the market storm, SR was...the opposite of that. At the market peak on February 19, SR was up +14.8% year-to-date. Over the next six weeks, SR would drop as much as -49%, one of its worst stretches ever. Just as it fell faster than the market during that worst stretch, it also bounced back stronger off the lows.

So for the first quarter as a whole, its loss of -25.9% wasn't dramatically worse than the market's loss of -20.7%. But the volatility along the way was extreme (which is why we limit how much we allocate to SR!).

SMI members have prospered greatly from SR during the recent bull market: even after including this quarter's decline, SR remains up +12.9% annualized over the past 10 years (vs. +10.2% for the market). But owning it was definitely a wild ride this quarter. Not surprisingly, the SR recommendation was changed at the end of March to a less-aggressive fund.

DAA = CRISIS INSURANCE



[1]Oct2019:p153

MONEYTALK

50/40/10

This portfolio refers to the specific blend of SMI strategies—50% DAA, 40% Upgrading, 10% Sector Rotation—discussed in our April 2018 cover article, *Higher Returns With Less Risk, Re-Examined*. It's a great example of the type of diversified portfolio we encourage most SMI readers to consider.[1] The first quarter of 2020 was as vivid an illustration as we can imagine of the way the market can shift suddenly between rewarding risk-taking and punishing it. A 50/40/10 portfolio fell -12.3% in the first quarter, considerably better than the market's -20.7% loss. This is why we believe owning a blend of higher-risk and lower-risk strategies can help smooth your long-term path and promote the type of emotional stability that breeds sustained investing success.

After plummeting to its low on March 23, the market launched an equally dramatic rally higher. Demonstrating again the value of not taking an "all in" or "all out" posture, a 50/40/10 portfolio was able to rise +14.8% over the following 13 trading days (through April 9). That was less than the broad market's gain of +24.9% over that period, but the portfolio still captured a significant amount of the upside, despite being positioned pretty conservatively. This type of "not too high, not too low" balance was perfectly appropriate as the quarter ended with major questions still surrounding the market's longer-term trend.

All in all, the first quarter of 2020 provided a good illustration of how balancing return and volatility between the various strategies can produce a smoother ride and solid overall returns. Whether you're using this specific 50/40/10 blend or a different specific combination, we think most SMI readers can benefit from blending these strategies in some fashion. ◆

LEVEL 4 / CONTINUED FROM PAGE 73

CARES ACT PROVIDES PANDEMIC-RELATED AID TO TAXPAYERS, RETIREES

ited a loan amount from exceeding more than half the vested account balance. Further, payments on loans made from retirement accounts can be deferred for one year. This applies to existing loans as well as new loans.

Charitable-giving deduction

A late-2017 tax law expanded the standard deduction, making the itemizing of charitable contributions (and various other deductions) unnecessary for many taxpayers. The CARES Act has restored the charitable-giving deduction, but only slightly. The new law allows non-itemizing taxpayers to take a $300 deduction for gifts to churches and other charitable organizations.

In addition, taxpayers who don't take the standard deduction but continue to itemize will be allowed to deduct even more of their giving. Gone (for 2020) is the rule that limited deductions for cash contributions to 60% of adjusted gross income (AGI). So theoretically, under the CARES Act, a high-giving taxpayer could end up with zero tax liability for this year. There is one catch, however: Gifts made via a donor-advised fund don't count. ◆

MARKET NOTES, QUOTES, AND ANECDOTES

Keep calm and carry on

"These events can be frightening in the short term, but this analysis shows that for investors who can stay in the market for the long run, equity markets still continue to provide rewards for taking these risks." – Morningstar's Paul Kaplan, in a 4/16/20 article that compares today's bear market with past downturns. Read more at bit.ly/2S1250m.

Not out of the woods

"This could be a long hard road that we have ahead of us until we get either to an effective therapy or a vaccine." – Federal Reserve Bank of Minneapolis president Neel Kashkari, quoted in a 4/12/20 Bloomberg article. He thinks the U.S. economy could face 18 months of "rolling shutdowns" as the COVID-19 outbreak recedes and flares up again. Read more at bloom.bg/3ava4t8.

Will the dismal science further its reputation?

"This is not a situation where you can push a button on the computer and out comes a number. It's detective work. And it will mostly be wildly wrong." – Jonathan Wright, professor of economics at Johns Hopkins University, quoted in a 4/21/20 *FiveThirtyEight* article. The article noted that economic forecasters "are pretty much in agreement that the next months are going to be full of economic pain" but estimates about how quickly the economy will bounce back range from an "unprecedented" recovery in the second half of the year to "a much more gradual return to positive economic growth." Read more at 53eig.ht/3eLu6D2.

The market will heal first

"Stocks will begin to recover long before the pandemic is on the wane," predicted Rob Arnott, chairman of investment firm Research Affiliates, as reported in a 3/22/20 *USA Today* article. "The strongest bull markets are not built on a foundation of good news, but on diminishing bad news," he said. Read more at bit.ly/3btSWoN.

How the market works

"The quicker you realize market corrections and bear markets are not 'bugs' in the system, the happier you will be. [This realization] is critical to creating your own form of Advil for financial pain." – Tony Isola, writing on his blog, A Teachable Moment, *nearly three years ago*. Read more at bit.ly/2XWrc8l.

[1]Blending multiple strategies adds complexity. Some members may prefer to use an automated approach. See bit.ly/SMIPrivateClient.

PREMIUM STRATEGIES

The strategies described below are available to SMI Premium-level members. They have characteristics that could make them desirable depending upon your individual goals, risk tolerance, and tax bracket. You can learn more about each strategy in the Premium section of the SMI website.

DYNAMIC ASSET ALLOCATION

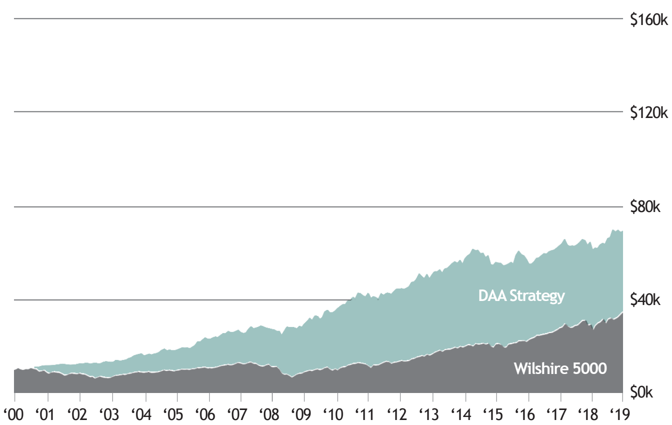
Overview

An investor can use Dynamic Asset Allocation (DAA) in combination with or in place of SMI's Basic Strategies. DAA is designed to help investors share in some of a bull market's gains while minimizing or even preventing losses during bear markets. It's a low-volatility strategy that nonetheless has generated impressive back-tested results over the long term. DAA involves rotating among six assets classes—U.S. Stocks, Foreign Stocks, Gold, Real Estate, Bonds, and Cash—by using exchange-traded funds (ETFs). Only three ETFs are held at any one time.

Who Should Consider This Strategy

Anyone—but especially those more concerned with avoiding major losses during bear markets than with capital growth during bull markets. **Pros:** Excellent downside protection during bear markets, as reflected in both a comparatively small worst-case result and a low relative-risk score (see performance table below). Great long-term track record. **Cons:** Subject to short-term whipsaws. Lags the market in "up" years. Making trades promptly and concentrating one's entire portfolio in only three asset classes can be emotionally challenging.

Dynamic Asset Allocation vs Wilshire 5000
Growth of $10,000 January 2001-December 2019



Strategy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg[1]	Worst12[1]	Rel Risk[1]
DAA	7.1%	4.0%	10.4%	22.4%	19.3%	8.6%	25.7%	10.1%	1.3%	17.6%	20.3%	1.4%	13.9%	16.2%	13.0%	-6.8%	-0.5%	16.0%	-4.5%	13.7%	10.1%	-13.7%	0.62
Wilshire 5000	-10.9%	-11.0%	-20.9%	31.6%	12.5%	6.4%	15.8%	5.6%	-37.2%	28.3%	17.2%	1.0%	16.1%	33.1%	12.7%	0.7%	13.4%	21.0%	-5.3%	31.0%	6.4%	-43.3%	1.00

SECTOR ROTATION

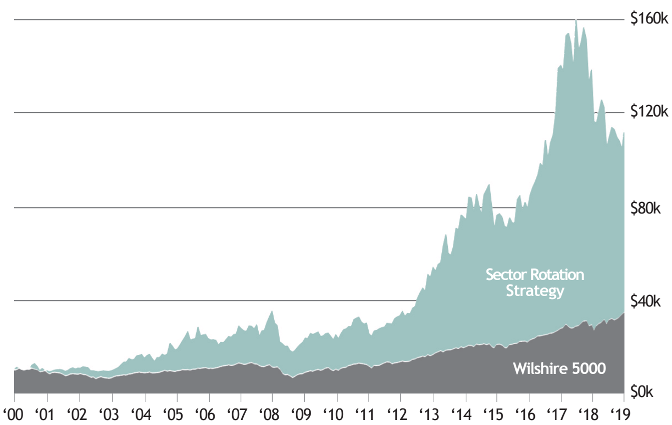
Overview

Sector Rotation (SR) is intended to be used in combination with Just-the-Basics, Fund Upgrading, or DAA (or a mix of these). SR is a high-risk strategy that invests in a single special-purpose stock fund focused on a specific sector (such as biotech, energy, or financial services). Such funds carry a higher degree of risk because they invest in a narrow slice of the economy. In making our fund recommendation, we choose a fund demonstrating especially strong momentum relative to other sector options. Sector Rotation has generated especially impressive long-term returns but with the performance peaks and valleys higher and lower than SMI's other strategies. We suggest that an SR investment account for no more than 20% of one's *total stock allocation*—or, if using SR in combination with DAA, no more than 20% of one's *overall* portfolio.

Who Should Consider This Strategy

Experienced investors willing to concentrate an investment in a single sector of the economy. **Pros:** Extremely attractive long-term returns. **Cons:** Much greater month-to-month volatility and relative risk, dramatic short-term loss potential.

Sector Rotation vs Wilshire 5000
Growth of $10,000 January 2001-December 2019



Strategy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg[1]	Worst12[1]	Rel Risk[1]
SR	0.7%	3.7%	-13.1%	54.4%	12.6%	46.1%	-1.9%	28.1%	-31.5%	30.5%	9.1%	-3.2%	23.3%	65.7%	49.9%	-9.7%	16.9%	56.7%	-15.8%	-1.6%	13.0%	-38.6%	1.90
Wilshire 5000	-10.9%	-11.0%	-20.9%	31.6%	12.5%	6.4%	15.8%	5.6%	-37.2%	28.3%	17.2%	1.0%	16.1%	33.1%	12.7%	0.7%	13.4%	21.0%	-5.3%	31.0%	6.4%	-43.3%	1.00

[1]The three data points at the far right in each performance table cover the full 20 years from Jan2000-Dec2019. "Avg" shows the average annualized return over those 20 years. "Worst12" represents the worst investor experience over 217 rolling 12-month periods during those 20 years.

PERIODICALS POSTAGE
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Dated Investment Material
Please Do Not Delay!

PERFORMANCE DATA

SOUND MIND INVESTING MODEL PORTFOLIOS • DATA THROUGH MARCH 31, 2020

BASIC STRATEGIES

	Year to Date	1 Month	3 Months	12 Months	3 Yrs Annual	5 Yrs Annual	10 Yrs Annual	15 Yrs Annual
U.S. Stock Market[1]	-20.7%	-13.6%	-20.7%	-8.9%	4.1%	6.0%	10.2%	7.6%
Just-the-Basics[2]	-23.9%	-16.8%	-23.9%	-14.4%	0.8%	3.0%	8.0%	6.6%
Stock Upgrading[3]	-21.1%	-14.5%	-21.1%	-12.7%	0.1%	2.3%	6.9%	6.5%
U.S. Bond Market[4]	3.2%	-0.6%	3.2%	8.9%	4.7%	3.2%	3.7%	4.3%
Bond Upgrading[5]	2.7%	-1.1%	2.7%	8.5%	4.0%	2.5%	4.7%	6.0%

PREMIUM STRATEGIES

	Year to Date	1 Month	3 Months	12 Months	3 Yrs Annual	5 Yrs Annual	10 Yrs Annual	15 Yrs Annual
DAA[6]	-2.6%	-0.4%	-2.6%	6.6%	5.4%	2.0%	7.0%	9.4%
Sector Rotation	-25.9%	-17.7%	-25.9%	-32.7%	-4.8%	1.1%	12.9%	10.2%
50-40-10 Blend[7]	-12.3%	-7.5%	-12.3%	-5.3%	2.6%	2.4%	7.8%	8.8%

Notes: Transaction costs and redemption fees—which vary by broker and fund—are not included. • [1] Based on the float-adjusted Wilshire 5000 Total Return index, the broadest measure of the U.S. stock market. • [2] Calculated assuming account rebalancing at the beginning of each year with 40% of the stock allocation invested in the Vanguard S&P 500 (VOO), 40% in Extended Market (VXF), and 20% in Total International Stock (VXUS). • [3] For a 100% stock portfolio, assuming the portfolio allocation for each risk category was divided evenly among all recommended funds. • [4] Based on Bloomberg Barclay's U.S. Aggregate Bond Index, the broadest measure of the U.S. bond market. • [5] For a 100% bond portfolio, assuming 25% of the portfolio was invested in Vanguard I-T Bond Index (BIV), 25% in Vanguard S-T Bond Index (BSV), and 50% in the rotating recommended bond fund. The results prior to January 2015 are hypothetical, calculated from backtesting the strategy following a mechanical rules-based system. • [6] The results prior to January 2013 are hypothetical, calculated from backtesting the strategy following a mechanical rules-based system. • [7] For a portfolio allocated 50% to DAA, 40% to Stock Upgrading, and 10% to Sector Rotation. See the April 2018 cover article for details. Results prior to January 2013 are hypothetical, calculated from backtesting the strategy following a mechanical rules-based system.

THE SOUND MIND INVESTING MUTUAL FUND (SMIFX)

Current Returns as of 3/31/2020	Year to Date	1 Month	3 Months	12 Months	3 Year Annual	5 Year Annual	10 Year Annual
SMIFX	-22.06%	-16.20%	-22.06%	-15.26%	-1.11%	0.32%	5.29%
Wilshire 5000	-20.70%	-13.62%	-20.70%	-8.95%	4.09%	5.99%	10.19%
S&P 500	-19.60%	-12.35%	-19.60%	-6.98%	5.10%	6.73%	10.53%

Quarterly Returns as of 3/31/2020	Year to Date	1 Month	3 Months	12 Months	3 Year Annual	5 Year Annual	10 Year Annual
SMIFX	-22.06%	-16.20%	-22.06%	-15.26%	-1.11%	0.32%	5.29%
Wilshire 5000	-20.70%	-13.62%	-20.70%	-8.95%	4.09%	5.99%	10.19%
S&P 500	-19.60%	-12.35%	-19.60%	-6.98%	5.10%	6.73%	10.53%

Total/Gross expense ratio: 1.94% as of 2/28/20 (includes expenses of underlying funds)
Adjusted expense ratio: 1.18% as of 2/28/20 (excludes expenses of underlying funds)

Notes: The performance data quoted represent past performance, and past performance is not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. • ***You should carefully consider the investment objectives, risks, fees, charges and expenses of the Funds before investing. The prospectus contains this and other information about the Funds. To obtain a prospectus or performance information current to the nearest month end, call 1-877-764-3863 or visit www.smifund.com. Read the prospectus carefully before investing.*** • Because the SMI Funds invest in other mutual funds, they will bear their share of the fees and expenses of the underlying funds in addition to the fees and expenses payable directly to the SMI Funds. As a result, you'll pay higher total expenses than you would investing in the underlying funds directly. • Returns shown include reinvestment of dividends and capital gains. The Wilshire 5000 index represents the broadest index for the U.S. equity market. The S&P 500 Index is an unmanaged index commonly used to measure the performance of U.S. stocks. You cannot invest directly in an index. • The Sound Mind Investing Funds are distributed by Ultimus Fund Distributors, LLC (member FINRA).

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